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RECENT WORLD COMMODITY DEVEL

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CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

CIA/CER/S-06794-75

20 February 1975

MEMORANDUM FOR: Dr. Edwin Hullander
Assistant Director
Council on International Economic Policy

SUBJECT : Recent World Commodity Developments and
Suggested Topics for Terms of Reference

1. In response to your phone call this morning, I have attempted to summarize some recent developments in the world commodity scene and include a few topics that you may wish to consider in your terms of reference.

2. UNCTAD Committee on Commodities - Eighth Session
Geneva, 10-21 February 1975

Discussions to date have been lackluster and desultory, with LDCs indicating frustration with slow progress in obtaining action on commodity problems which have now become urgent. LDCs endorsed without enthusiasm the so called "integrated program" but were also lukewarm toward the Dakar Action Program. LDCs are basically split between moderates and those supporting Algerian-backed hard line policies. Many raw material producers believe that "integrated program" is too ambitious and cumbersome, and prefer to push for immediate action on individual commodities. Further UN meetings will be held on this topic, including a special General Assembly meeting in September and a major UNCTAD meeting in Nairobi in May 1976.

Integrated Program

Objectives are to secure stable and remunerative prices, as well as improvement of marketing systems, diversification, expanded market access for exporters, security of supplies for importers, and measures to counter

inflation. The key element is the establishment of international stocks for a range of commodities to be financed by an international common fund. The proposals are based on the following assumptions:

- (1) that commodity prices will return to levels prior to the 1973-74 commodity boom;
- (2) that a system of international stocking arrangements would result in price and supply stability;
- (3) that such a system is the best stabilization measure for the commodities concerned;
- (4) that importers as well as exporters have an obligation to fund international stocking arrangements; and
- (5) that past approaches have been ineffective in dealing with commodity problems.

3. Dakar Non-Aligned Conference on Raw

Materials - 3-8 February 1975

A highly disjointed meeting of some 70-80 non-aligned nations under the chairmanship of Algeria which produced no solid agreements but a number of commodity proposals for further study. This group also favors the establishment of commodity buffer stocks, hopefully to be financed by the oil-rich OPEC nations, and various other forms of market intervention and preferential pricing arrangements for commodity exports. They also favor expanding the planned French sponsored producer/consumer oil conference to include a discussion of all raw materials. Various study groups have been formed to further explore all these commodity issues in preparation for another non-aligned meeting scheduled to be held in Lima, Peru in August.

4. EC: Five Year Cooperation Accord with 46 LDCs

(See Economic Intelligence Weekly, 19 February 1975)

5. Prime Minister Wilson's Speech at Leeds,
9 February 1975

Prime Minister Wilson called for international assurances

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to stabilize world raw materials prices. Without proposing any specific program, he stated his "Government would be ready to discuss these issues in the international forum".

6. A quick sketch of some topics that you may wish to touch on in your terms of reference include:

- (1) Exposition and analysis of the various commodity stabilization agreements (both proposed and actual) by developed and developing countries, including UNCTAD's integrated program, and the EC-ACP 5-year cooperation accord.
- (2) National and international stockpiling policies.
- (3) Principles of buffer stock operations and market intervention.
- (4) Relative merit of multi-commodity system vs individual commodity schemes.
- (5) Various indexing schemes tied to rates of inflation and other exchange rate problems.
- (6) Role of international organizations, i.e., UN, IMF, IBRD, FAO, etc.
- (7) Relationship of commodity problems including supply access to the MTNs.
- (8) Preservation of the free market system vs market intervention.
- (9) New "rules of the road" for foreign investment and supply access
- (10) Other technical considerations, such as adequacy of data on prices, production and stocks; ability to forecast production and demand; problems of synthetics and substitutes for many commodities.

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Chief
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